

B-MUNICIPAL BUDGET

DEFINITION OF A MUNICIPAL BUDGET

A municipal budget is generally a projection of future revenues and expenditure. A budget is used to control financial transactions and should also be used as a management and planning tool.

It is also a tool for implementing the service delivery objectives of the Municipality as set out in their Integrated Development Plan.

A Municipal budget also provides for greater transparency, accountability, flexibility and predictability within the municipality.

A Municipality budget is divided into Capital and Operating Budget:

a) A capital budget is an estimate of the expenses that will be incurred during that financial year to create future benefits, and the sources of finance from which these expenses will be funded. The municipality spends money either to buy fixed assets or to add to the value of an existing fixed assets with a useful life that extends beyond one year. Fixed assets include, inter alia, land and buildings, motor vehicles, furniture, computers, office equipment and machinery.

b) An operating budget is an estimate of the operating revenues which will accrue to the municipality through its normal service delivery and the expenditure that will be incurred through the day to day operations of the municipality over the financial year.

EXAMPLE: The purchase of a photocopier is a capital expenditure and is budgeted for under the capital budget, but the maintenance and other expense such as the paper and toner for the photocopier is budget for under the operating budget.

OBJECTIVE OF A MUNICIPAL BUDGET

The main objective of a municipal budget is to sensibly expected resources to the municipality's service delivery goals or performance objectives identified as priorities in the approved IDP.

The municipal budget is a tool through which the total level of revenue and expenditure are adequately controlled, public resources are appropriately allocated among sectors and programs, and ensure that departments operate as efficiently as possible within the municipality.

1.3 EXECUTIVE SUMMARY BUDGET: 2013/2014 BUDGET YEAR

1.3.1 Key focus areas for the 2015/16 budget process

The *Medium Term Budget Policy Statement 2012* notes that the South African economy is projected to grow by 2.5 per cent in 2012. By 2014 GDP growth is expected to reach 3.8 per cent, supported by expanding public sector investment in infrastructure, the activation of new electricity-generating capacity, improving public sector confidence, relatively low inflation and interest rates and strong growth in the Southern African region.

Specific interventions to achieve this include: investing in strategic infrastructure programmes, including electricity generation and transport capacity needed to open up new mining and industrial

opportunities. Linked to this is strengthening municipal finances and investing in residential development and urban infrastructure.

The proposed spending framework approved by Cabinet takes account of the need to control spending growth over the medium term while increasing the efficiency of existing allocations to improve public services. As a result, the fiscus does not increase available funds beyond the 2012 budget baseline.

The labour market has deteriorated. The official unemployment rate rose to 25.5 per cent of the labour force in the third quarter of 2012 from 24.9 per cent in the second quarter according to the latest Quarterly Labour Force Survey. The total number of unemployed people stood at 4.67 million in the three months up to September, from 4.47 million in the second quarter. By the expanded definition of unemployment (including those who have stopped looking for work) unemployment increased to 36.3 per cent, from 36.2 per cent.

Consequently, municipal revenues and cash flows are expected to remain under pressure in 2015/16 and *so municipalities must adopt a conservative approach when projecting their expected revenues and cash receipts*. Municipalities will have to carefully consider affordability of tariff increases especially as it relates to domestic consumers while considering the level of services versus the associated cost. Municipalities should also pay particular attention to managing revenue effectively and carefully evaluate all spending decisions. In generating capacity for spending on key municipal infrastructure *municipalities will have to identify inefficiencies and eliminate non-priority spending*.

National priority – Expanding public sector investment in infrastructure

The key priorities in the local government and housing function are the provision of basic services such as water and sanitation, human settlements development and local government infrastructure.

In addition, creating decent employment opportunities remains a national priority. In drafting their 2015/16 budgets and MTREFs all municipalities are urged to continue to explore opportunities to mainstream labour intensive approaches to delivering services, and more particularly to participate fully in the Expanded Public Works Programme. In this regard the Expanded Public Works Programme Grant (EPWP) has been reconfigured in the 2012/13 financial year to be a schedule 6 grant. Municipalities are required to reflect the EPWP allocation in their budget because the gazetted amounts of the programme will flow directly into their primary bank accounts. Municipalities should budget for the grant in the same way as it budgets for all other schedule 6 conditional grants. Allocations are based on past performance on the EPWP, potential to create work using baseline allocations, need for employment creation in their area and an adjustment factor for rural municipalities.

Municipalities should not just employ more people without any reference to the level of staffing required to deliver effective services, remuneration increases associated with bargaining council decisions and what is financially sustainable over the medium term. The municipality ought to focus on maximizing its contribution to job creation by:

- Ensuring that service delivery and capital projects use labour intensive methods wherever appropriate;
- Ensuring that service providers use labour intensive approaches;
- Supporting labour intensive LED projects;
- Participating fully in the Expanded Public Works Programme; and
- Implementing interns programmes to provide young people with on-the-job training.

Municipalities also play a critical role in creating an enabling environment for investments and other activities that lead to job creation. It is important for municipalities to pay particular attention to:

- Ensuring the timely delivery of their capital programmes (eliminate under-spending of capital budgets) and to review all by-laws and development approval processes with a view to removing any regulatory bottlenecks to investment and job creation; and
- Act as a catalyst for local economic development by appropriately structuring capital programmes to address backlog eradication, asset renewal and development of new infrastructure; this will require carefully formulating the funding mix of the capital programme to include grants, borrowing and own funding (internally generated funding).

Image of Local Government

The Local Government Budgets and Expenditure Review highlighted the burgeoning crisis in the declining credibility of local government. Public perception at this time, as measured through various monitors and surveys reflected high levels of disenchantment with service delivery and perceived corruption at municipalities. Recent gauges of public opinion, evident in the outcome of recent surveys on corruption and fraud in government and increases in service delivery protests countrywide, confirm that this negative perception of local government persists.

In the medium to long term, these perceptions will improve as service delivery improves. In the short term, municipalities must demonstrate sound leadership and put in place measures to address mismanagement by implementing effective systems to measure, monitor and evaluate performance.

1.3.2. Demographical Information

Phokwane Municipality is situated in the Northern Cape and lies within the boundaries of the Francis Baard District Municipality. The area of jurisdiction is made up by the following areas, Pampierstad, Hartswater, Jan Kempdorp and Ganspan Settlement and the Farming areas. The Geographical area is approximately 835km² in extent and a few important changes took place in the municipal area between 2001 and 2011 based on the Census information showing the current situation of the area. The local population of Phokwane Municipality was estimated to be 61 314 (Census 2001) and increase in the 2011 Census to 63 000. The increase in the population has led to the number of household increasing from 16 807 to 17 544 in 2011 Census which recorded an increase of 737 household.

Phokwane is a peri-urban area with serious socio-economic challenges such as unemployment, high rate of poverty, low skilled workforce and serious basic services infrastructure challenges such as roads, sewer network, housing and water services. The Municipality is bordered by two neighbouring Municipalities namely the Greater Taung Municipality with a very big population of about 204 000 (177 642), mainly dependant on Phokwane commercial centre for shopping and Magareng Local municipality with a population of about 24 204.

According to the 2011 Census, the labour market recorded 37.6% unemployment of the total workforce and thus showing 16.7% increase compared to 2001 data in the local area. Due to the high unemployment rate the Municipality currently have ± 4,100 registered indigent households.

The direct impact of the unemployment rate is the poor payment percentage of services which affects the municipality's ability to continue delivering such services at an affordable rate. A major increase in the debtor payment percentage is needed to ensure that all budgeted revenue are collected. It is therefore imperative that strict Credit Control is enforced to ensure that the Municipality has the necessary resources for optimal service delivery.

1.3.3. Personnel

For the 2014/2015 budget, the total councillors and employee related costs amounted to R 60,4 million or 27.95% of the operating budget of R 215,9 million. Total councillors and employee related costs for the 2015/2016 final budget constitute R 62, 8 million or 25.9%. Provision is made for a number of vacant and new positions in the 2015/2016 final budget. A short summary of some of those positions are:

- Municipal Manager
- Director: Corporate Services
- Compliance Officer
- Researcher- MPAC
- Senior Clerk -MPAC
- Senior Clerk – Billing and Collections
- Team Leader – Meter Reading
- Secretary: Mayor’s Office
- Town Planner
- Assistant Town Planner
- Risk Management Officer
- Access Control Officer
- Switch Board Operator
- Registry Officer
- Meter Reader X2
- Plumber
- Assistant Mechanic
- By-Law Enforcement Officers
- Caretaker
- IDP Officer
- Cleaner

Provision is made for 4.4% increase in Councillor Allowances and for employee related cost throughout. The period of the salary and wage collective agreement 2012/13 to 2014/2015 had come to an end. In the absence other information from SALGBC municipalities are further advised to provide for an increase of 4.4 per cent relating to salaries and wages for the 2015/16 budget. The operating budget depicts the following as far as Employee and councillors related cost is concern.

- Council Allowance as % of total operating budget derived from equitable shares: 1.94%
- Employees Salaries and Allowance as % of total operating budget 24.31%

As in previous years, provision are made for pension fund contributions for all employees who are members of an accredited pension fund as well as who are members of a Medical Aid. Provisions are also made for contributions towards a Councillor Pension Fund.

1.3.4. Operational Final Budget 2015/2016 Financial Year

1.3.4.1. Community Consultative Meetings

The MFMA Budget Circular 75 of National Treasury provides guidance on the preparation of Municipal Budgets over The medium Term Revenue Expenditure Framework for 2015/2016 – 2017/2018.

A series of Community participation meetings has been convened during April and May 2015 where the Community have been briefed on the content of the draft budget, proposed new tariffs as well as capital projects. Communities were given an opportunity to make inputs, recommendations and to raise concerns.

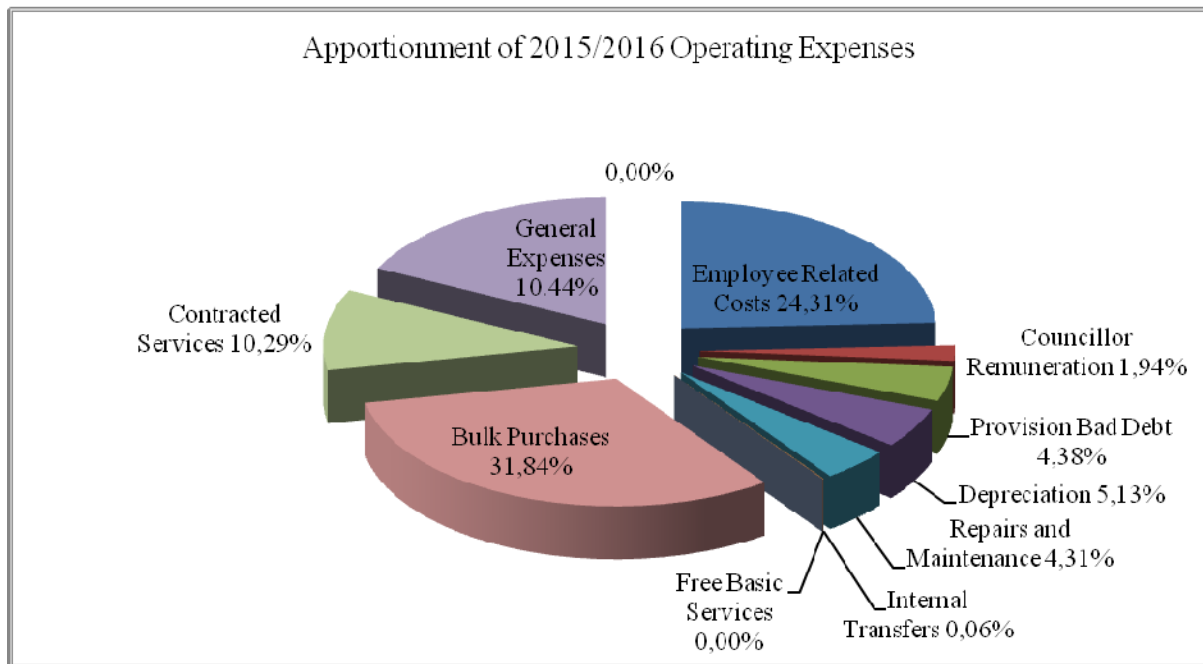
1.3.4.2. Summary of 2015/2016 Operating Expenditure

The approved operational budget for 2014/2015 amounted to R215, 9 million and the operating expenditure budget for 2015/2016 is being estimated at R239, 4 million thus, representing an increase of 10.8% and the main reason for these decreases are on the following expenditure line items:

- 4.40 % and 4.08% increase in councillors and employee related costs respectively
- 68.56% increase for depreciation
- 18.52% increase for repairs and maintenance
- 6.66% increase for bulk purchases
- 65.58% increase for contracted services which is mainly due to Sedibeng being recognised as contracted services no longer bulk purchases
- 26.077% increase in general expenses.

OPERATING EXPENDITURE PER TYPE		
	2014/2015	2015/2016
Employee Related Costs	55 911 000	58 191 531
Remuneration of Councillors	4 453 757	4 649 723
Provision for Bad Debt	11 983 889	10 485 898
Depreciation	7 293 106	12 293 106
Repairs and Maintenance	8 776 984	10 318 527
Internal Transfers	125 062	132 941
Bulk Purchases	71 481 175	76 238 458
Contracted Services	15 085 581	24 640 822
General Expenses	40 828 583	42 470 559
Total	215 939 137	239 421 565

CHART: PERCENTAGE APPORTIONMENT OF 2015/2016 OPERATING EXPENSES

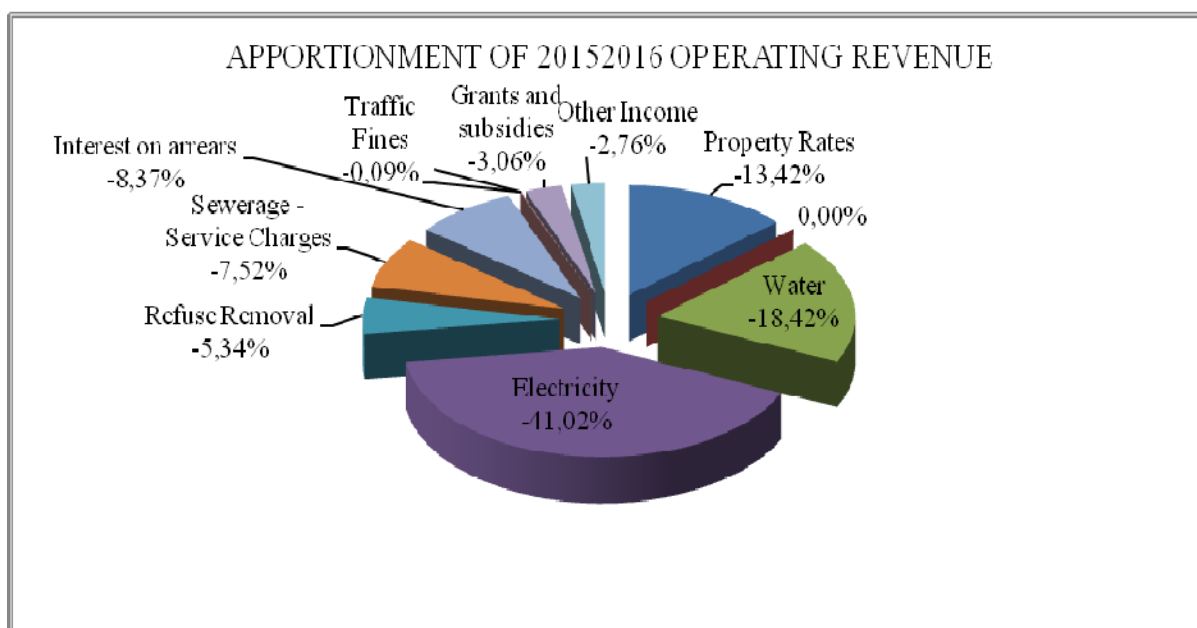


1.3.4.3 Summary of 2015/2016 Operating Revenue

The final operational revenue budget for 2015/2016 amounts to R242,9 million when compared to the R202 million of the 2014/2015 approved budget.

OPERATING REVENUE SOURCE		
Description	2014/2015	2015/2016
Property Rates	-19 567 871	-20 748 691
Water Consumption	-16,842,786	-31 448 492
Electricity Consumption	-60,745,158	-71 052 576
Refuse Removal	-6,230,263	-8 246 122
Sewerage- Service Charges	-9,440,994	-12 356 828
Interest on Arrears	-12 942 618	-13 563 866
Traffic Fines	-142 100	-148 921
Equitable Share	-71 353 000	-77 299 000
Other Grants and Subsidies	-4 723 000	-5 286 000
Revenue Forgone	22 214 566	2 245 541
Other Income	-4 260 755	-5 011 586
TOTAL	-202 010 045	-242 916 571

APPORTIONMENT OF 2015/2016 OPERATING REVENUE



The following has a material effect on the anticipated revenue budget and can be seen as the key drivers for operating revenue:

Current Tariff 2014/2015		New Tariff 2015/2016		Percentage
Refuse removal:		Refusal Removal		
Domestic	51.33	Domestic	54.41	6,00%
Business	79.90	Business	84.69	6,00%
Schools	40.80	Schools	43.25	6,00%
Buisiness Bulk	104.54	Buisiness Bulk	110.82	6,00%
Sewerage:		Sewerage:		
Domestic	84.22	Domestic	89.27	6,00%
Business	41.62	Business	44.12	6,00%
Flats	84.22	Flats	89.27	6,00%
Vacuum	123.57	Vacuum	130.98	6,00%
Electricity : Basic Charge :	104.93	Electricity : Basic Charge :	117.94	12.2%
0-50	0.7516	0-50	0.7991	0.063
51-350	0.9342	51-350	1.0025	0.073
351-600	1.2564	351-600	1.4098	0.122
>600	1.4926	>600	1.6748	0.122
Water:		Water		
Domestic	35.01	0-50	37.11	6%
Business	103.42	51-350	109.63	6%
Schools	457.94	351-600	485.52	6%
Huis Andalusia	73.81	>600	78.24	6%
0-6	6.74	0-6	7.25	6%
10-Jun	10.30	10-Jun	11.07	6%
10-50	11.82	10-50	12.71	6%
50-100	13.81	50-100	14.85	6%
100-999	16.46	100-999	17.71	6%
Property Rates		Property Rates		
Business: 20% Rebates	0.00928	Business: 20% Rebates	0.00984	6%
Residential: 20% Rebates	0.00928	Residential: 20% Rebates	0.00984	6%
PSI: 20% Rebates	0.00928	PSI: 20% Rebates	0.00984	6%
Government: 20% Rebates	0.00928	Government: 20% Rebates	0.00984	6%
Schools: 20% Rebates	0.00928	Schools: 20% Rebates	0.00984	6%
Industrial: 0% Rebates	0.0116	Industrial: 0% Rebates	0.0123	6%
Churches: 0% Rebates	0.0116	Churches: 0% Rebates	0.0123	6%
Agriculture: 0% Rebates	0.0029	Agriculture: 0% Rebates	0.003075	6%

- Property Rates: A 20% rebate on the tariffs can be expected for 2015/2016 for businesses, Residential, PSI, Government and schools.
- Property rates increased by 6%.
- 12.20 % Increase in Electricity Tariffs compared to 7.39% increase in previous year
- First 6 kl of water is free for Indigent Households and 6% increase in water a tariff which is in accordance to Treasury Circular no. 75.
- 6% increase for Sewer
- 6% increase for Refuse
- 6 % increase for water consumption
- 12.07% increase for electricity consumption
- 6.27% increase for sewer
- 6.62% increase for refuse
- 4.80% increase on interest on arrears
- 8.33% increase in equitable share

1.3.4.4 FREE BASIC SERVICES

Provision is made in the 2015/2016 budget for the free basic services that consist of the following:

- Water : 6 Kilolitre per month for 4100 indigent households
- Sewerage : Free basic sanitation for 4100 indigent households per month
- Refuse Removal :Free refuse removal for 4100 indigent households per month
- Electricity : 50 kWh per month for 4100 indigent households

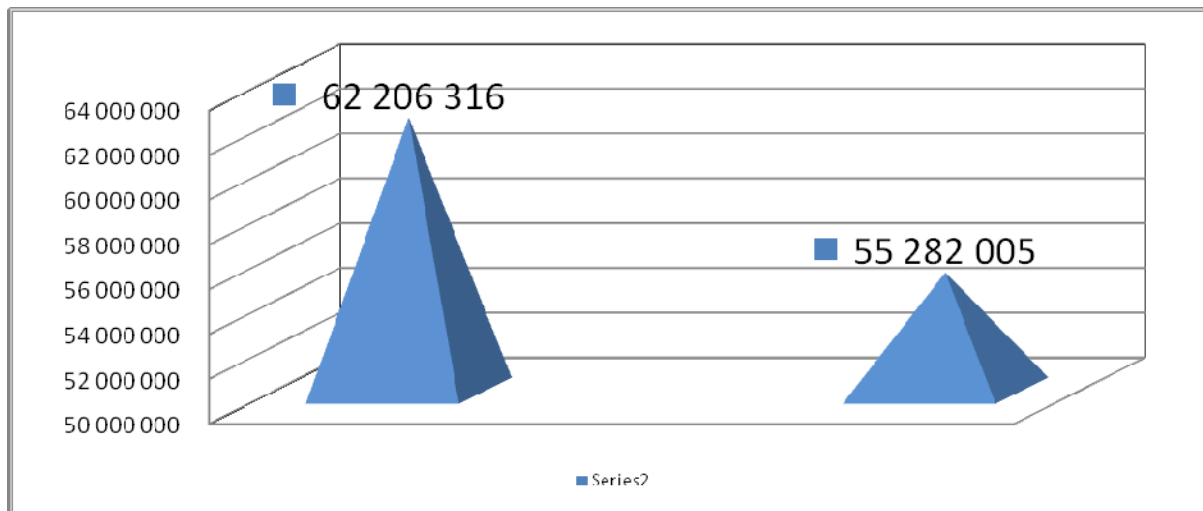
	2015/2016	
	Households	Amounts
Water : 6 kilolitre per month:	4100	1 873 840
Sewerage : free basic sanitation per month:	4100	4 836 089
Refuse : free refuse removal per month:	4100	2 661 954
Electricity : 50 kWh per month:	4100	4 394 491
TOTAL		13 766 374

2.1 Capital Budget

The approved capital budget for 2014/2015 amounted to R 62, 2 million. The final capital budget for 2015/2016 amounts to R 55, 3 million that represent a decrease of 11.13%. The capital projects are as follows:

Capital Project	2015/2016	Funding Source
Bulk Water Supply & Sakhile 1450 Stands (phase 2)	10 527 781	MIG
Upgrading of Streets and Stormwater: Valspan LIC Project Phase 1	5 631 888	MIG
Construction of 2.8 Km road LIC Project Phase 1&2:Thagadiipelajang & Bonitapark	8 638 057	MIG
Stormwater Channels LIC Project Phase 3:Pampierstad	689 273	MIG
Electrification: Guldenskat 608 Stands	1 000 000	DME
Reburbishment of internal water :Pampierstad Phase 4	25 000 000	DWA
Purchase of Pothole Repair Truck	1 600 000	Internal Funding
Installation of Sewer Reticulation for 37 Sites:Pampierstad	462 500	Internal Funding
Installation of Water Connections for 50 Sites:Ganspan	375 000	Internal Funding
Weed Eaters	80 000	Internal Funding
Speed Machine	120 000	Internal Funding
Formalisation of Informal Settlements Erf 259:Utlwanang	300 000	Internal Funding
Office Furniture:Planning and Operations	79 300	Internal Funding
Valspan Shelter Stalls X4	60 000	Internal Funding
Airconditionersx4	40 000	Internal Funding
Microsoft Volume License (Windows)	300 000	Internal Funding
Office Equipment	78 206	Internal Funding
Intangible Asset: GIS System	300 000	MSIG
TOTAL	55 282 005	

MIG – Municipal Infrastructure Grant
DWA – Department of Water Affairs



3. IDP

DEVELOPMENT OF THE IDP: PUBLIC PARTICIPATION

3.1 Purpose of community participation

3.5 PROJECTS UNDER IMPLEMENTATION - 2015/16

SECTION E: DEVELOPMENT PROGRAMMES AND PROJECTS

3.4.2 IDP/Budget Representative Forum

To give way to formal representation of the community in the process of compiling and reviewing the Integrated Development Plan, an IDP Representative Forum is established. These meetings are taking place quarterly. The latter forum will comprise of ward councilors, some ward committee members, community based Organisations, Non-Governmental organisations (NGO), business sectors, youth organisations, agricultural sectors, women organisations and assigned officials of the municipal council. Representation on the Forum will be done by respective structures by means of nomination on an annual basis.

3.4.4 IDP/Budget Ward Consultative Meetings

With regards to promoting community participation it was in the view of the municipality to conduct ward consultative meetings for the development of the IDP. This was as a result of the municipal area is extensive in size the municipality decided to have IDP/Budget consultative meetings per ward. The aim of these consultative meetings was to allow for broader community participation. This was important to ensure that development efforts address real needs of the community. Our municipality is inclusive of farm areas, townships and towns of which all of them have different needs. To capture these needs it became vital to split the meetings to become wards specifics. Of which this has allowed us to identify priority issues which are more relevant to an area than broadening the scope.

For this process to be successful the municipality educated the councillors about the IDP and the aim of these meeting. This assisted as the councillors were to chair the IDP/Budget ward consultative meetings so as to get the priority issues from the community. Officials also assisted in the process by loud hailing, attending meetings and providing clarity to the community as to the procedures of the IDP document.

Draft IDP and Budget Ward Consultative Meetings

DATES	WARD	VENUE	TIME
09 April 2015	1	Kgono Primary School	17:00pm
14 April 2015	2	Pampierstad High School	17:00pm
15 April 2015	3	Pampierstad Community Hall	17:00pm
19 April 2015	4	Motswedithuto Primary School	17:00pm
20 April 2015	4	Gaoshupi Makodi Primary School	17:00pm
21 April 2015	5	Bonita Park Community Hall	17:00pm
22 April 2015	6	Hartswater Town Hall	17:00pm
23 April 2015	7+8+9	Valspan Community Hall	17:00pm
29 April 2015	6	Andalusia Primary School	17:00pm
05 May 2015	7+ 9	Ndwanya Primary School	17:00pm
07 May 2015	6 + 8	Proefplaas Community Hall	

Ward 1 and 2 meeting was held at Kgono Primary School and 146 community members attended.

Community Members of Ward 1 and 2 that were present at the meeting raised the following concerns.	
1. Need for a clinic to be built in ward 1 (Sakhile)	2. Housing Delivery in Pampierstad Shanty Section
3. Title deed registrations	4. Housing project is needed for old Pampierstad Shanty section (Unit 2)
5. Paving Roads in Sakhile and Shanty Section (Unit 2)	6. Highmast lights in Sakhile
7. Stormwater in Pampierstad	8. A need for School in ward 1

(Unit 2)	
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Ward 3 & 4 was a cluster meeting which was held at Gaoshupi Primary School and 71 community members attended.

Community Members of Ward 3&4 that were present at the meeting raised the following concerns.	
1. Indigent registration was the main concern of the community	2. Repair and Maintenance of roads in both wards
3. Job Creation (criteria used for employing people on projects)	4. Crime
5. Renovation of Pampierstad Community Hall	6. Road signs and names not Visible
7. Need for School in Pampierstad 900	8. Proper fencing for Cemetery
9. Street dumping waste containers	10. Revamping of Pampiesrtad Park

Ward 4 meeting was held at Motswedithuto and 10 community members attended.

Community Members of Ward 5 that were present at the meeting raised the following concerns.	
1. Job creation	2. Sectorial determination
3. Farm Evictions	4. Electricity bills
5. Indigent Registration	6. Housing Project

Ward 5 meeting was held at Bonita Park Community Hall and 65 community members attended.

Community Members of Ward 5 that were present at the meeting raised the following concerns.	
1. Job creation	2. Paving Roads Thagadiepelajang
3. Formalisation of Utlwanang and Riemvasmak informal Settlement	4. Leaking water pipes
5. Indigent Registration	6. Housing Project for 127 sites

Ward 6 meeting in Hartswater was held at the Hartswater community hall and 76 community members attended.

Community Members of Ward 6 that were present at the meeting raised the following concerns.	
1. Need for electricity in Nkandla	7. Water and Sanitation in Nkandla 2
8. Roads and Stormwater	9. Need Sport facilities
10. Emergency Services	11. Formalisation of informal Settlement in Nkandla

Ward 6 meeting in Hartswater was held at the Andalusia Primary School and 2 community members attended.

Community Members of Ward 6 that were present at the meeting raised the following concerns.	
1. Need for electricity in Nkandla	12. Water and Sanitation in Nkandla 2
13. Roads and Stormwater	14. Need Sport facilities
15. Emergency Services	16. Formalisation of informal Settlement in Nkandla

Ward 7, 8 &9 meeting was held at Valspan Community Hall and 60 community members attended.

Community Members of Ward 7, 8 & 9 that were present at the meeting raised the following concerns.

1. Street Lights for road heading to Andalusia Park	2. Sewer project Masakeng 1200
3. Housing is still needed for areas that are outstanding	4. Refurbishment of old water and sewer networks
5. Job Creation	6. .
7. Fair tender processes	8. Bad conditions of roads in old Valspan
9. Local municipal Offices that are not operating (affect level of payment for services)	10. Sewer network in Andalusia Park extension is leaking

Ward 7 & 9 meeting was held at Ndwanya Primary School Hall and 88 community members attended.

Community Members of Ward 8 that were present at the meeting raised the following concerns.

1. Houses are a need in Ganspan	2. Need for street lights or highmast light and tarred road in B-Block
3. Job Creation	4. Speed humps to be placed on the main road in front of the school
5. Renovation of the swimming pool needed	

Ward 8 Proofplaas meeting was held at Proefplaas Community Hall and 24 community members attended

Community Members of Ward 9 that were present at the meeting raised the following concerns.

1. Land for housing development	2. Allocation of Sites in Guldenskat 609 sites
2. Public Works want to	3. Job creation

evict tenants	
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IDP Priority Issues: 2015/2016

1. Land & housing
2. Roads & Stormwater
3. Water and Sanitation
4. Electricity
5. Health Services
6. Education
7. Youth Development
8. Unemployment
9. Recreational Facilities
10. Environmental management
11. Maintenance and Security
12. Disaster Management

4. MTREF-Medium Term Revenue and Expenditure Framework outlook

Municipalities are required to prepare 3 year operational and capital budget referred to as the MTREF. Government Grant and subsidies are therefore also published for a three year period to provide municipalities with the necessary information for proper medium term planning.

The following is a short summary of what can be expected for the two outer financial years 2016/2017 and 2017/2018:

OPERATING EXPENDITURE PER YPE		
	2016/2017	2017/2018
Employee Related Costs: Salaries & Wages	61 770 305	65 169 168
Remuneration of Councillors	4 935 681	5 239 225
Provision for Bad Debt	11 104 568	11 726 422
Depreciation	13 014 404	13 747 433
Repairs and Maintenance	10 927 318	11 539 258
Internal Transfers	140 785	148 669
Bulk Purchases	80 726 536	85 257 772
Contracted Services	26 094 630	27 555 930
General Expenses	43 682 457	46 384 755
Total	252 410 674	267 168 632

OPERATING REVENUE SOURCE		
Description	2016/2017	2017/2018`
Property Rates	-21 972 865	-23 203 347
Water Consumption	-33 303 953	-35 168 975
Electricity Consumption	-75 244 679	-79 458 380
Refuse Removal	-8 732 644	-9 221 672
Sewerage- Service Charges	-13 079 932	-13 812 407
Interest on Arrears	-14 364 132	-15 168 523
Traffic Fines	-157 708	-166 539
Equitable Share	-78 145 000	-78 493 000
Other Grants and Subsidies	-2 767 000	-3 178 000
Revenue Forgone		
Other Income	-5 307 265	-5 604 474
TOTAL	-254 618 160	-265 104 706

Capital Project	2016/2017	2017/2018	Funding Source
Upgrading of bulk water and sanitation: Hartswater	15 000 000	15 000 000	MIG
Upgrading of bulk sanitation: Ganspan	7 500 000	7 500 000	MIG/DWA
Upgrading of streets and stormwater:Vlaspan LIC Project Phase 1	-	-	MIG
Construction of 2.8 KM Road: LIC Project Phase 1&2:Thagadiipelajang & Bonitapark	-	-	PUBLIC WORKS
Stormwater Channels LIC Project Phase 1,2&3:Hartswater&Pampierstad	-	-	PUBLIC WORKS
Stormwater Channels Phase 3:Pampierstad	-	-	MIG
Electrification: Guldenskat 608 Stands	1 000 000	1 000 000	DME
Refurbishment of internal water :Pampierstad Phase 4	22 500 000		DWA
Waste Water Management	3 871 000	20 197 000	MIG
Electricity/Water Smart Metering System	5 000 000		Internal/DWA
TOTAL	54 871 000	43 697 000	

FREE BASIC SERVICES

	2016/2017		2017/2018	
	Households	Amount	Households	Amount
➤ Water : 6 kilolitre per month:	4300	1 984 397	4450	2 095 523
➤ Sewerage : free basic sanitation per month:	4300	5 121 418	4450	5 408 217
➤ Refuse Removal : free refuse removal per month	4300	2 819 009	4450	2 976 874
➤ Electricity : 50 kWh per month:	4300	4 653 466	4450	4 914 377
TOTAL		14 578 590		15 394 991

6 Key Budget Policies

Council needs to review all budget related policies on an annual basis, and amended policies will be tabled during a Special Council Meeting to be held on 29 May 2015. Policies that were reviewed are:

12.1. Tariff Policy:

Amendments made are as follows:

Zoning certificate per erf	R30.00
Hard copy of SDF	R600.00
Hard copy of Land use Regulations	R150.00

We propose that the basic charges for consumers using prepaid electricity should not be charged.

12.2. Indigent Policy:

Amendments made are as follows:

1. All applications will be manually approved by the indigent committee.
2. The onus is on the recipient of relief in terms of this policy to inform the Council/Municipal office of any change in his/her status or personal household circumstances.
3. The total gross monthly household income is less than or equal to two (2) times the prevailing social monthly pension pay-out, which is the amount of R2 820.00 and where the household can no longer afford to pay for the services due to unemployment.
4. Indigent relief will not be granted where the household, occupants, residents or dependants, as the case may be –
 - (iii) Own tavern, tuck shop or rent backrooms at the residence.
5. Indigent relief is granted for a period of one (1) year which is determined by Council from time to time.

6. **EXTENT OF INDIGENT SUPPORT**

(f) Indigent relief is also granted to informal settlements in a form of refuse removal. Sanitary services and water communal taps.

7. **APPLICATION FOR INDIGENT SUPPORT**

- (b) The following documentation should accompany the application form:
- (i) A certified copy of the applicant's spouse ID document, if married
- (ii) Applicants proof of income/affidavit from oath if unemployed
- (iii) Spouse's proof of income/affidavit from oath if unemployed

8. **CONTROL MEASURES FOR THE DISTRIBUTION OF INDIGENT SUPPORT (Approval of Indigent applications)**

(b) The committee for Indigent relief must review and approve all applications on or before the 20th of every month.

(c) The details of all applicants and respective beneficiaries must be submitted to the indigent committee on a monthly basis for approval.

(d) Any resident of the municipality may, within 14 days lodge a written objection to the granting of relief to any person to the Council.

9. **COMMUNICATION**

Notification of renewal of indigent application will be communicated through the following structures and mechanisms put in place to encourage public participation within the planning and implementation of municipal business:

- Ward committees
- Council meeting
- News letter
- General meetings

10. The addition of Pauper and Indigent Burial Policy

12.3. Credit Control and Debt Collection Policy

Amendments made are as follows:

The authorized officer shall authorize the reconnection of services of reinstatement of service delivery after satisfactory payment or a satisfactory arrangement for payment has been made in accordance with this policy.

Payment should be calculated as follows:

R0.00 to R10 000.00 (12 months)
R10 000.00 to R24 000.00 (24 months)
R24 000.00 to R36 000.00 (36 months)

Above R36 000.00 (60 months)
Plus Current Account

Reconnection fee.

12.4. Rates Policy

Amendments made are as follows:

Exempt a specific category of owners of properties, or the owners of a specific category of properties, from payment of a rate levied on their property; or

Grant to a specific category of owners of properties, or to the owners of a specific category of properties, a rebate or a reduction in the rates payable in respect of their properties;

As a guide in determining the possible exemptions, rebates or reductions, we have considered to exempt rateable property registered in the name of an institution or organization that performs welfare and humanitarian work as contemplated in the ninth schedule of the Income Tax Act, 1962 (Act 58 of 1962) which is not operated for gain.

12.5. Investment and Cash Management Policy

Amendments made are as follows:

No changes were made to the document.

12.6. Subsistence and Travelling Policy:

Amendments made are as follows:

Accommodation:

- Radius of 200 km from Phokwane Municipality R900.00
- Radius between 200 km and 500 km R1,150.00
- Radius greater than 500 km R1, 350.00

If the cost exceeds amounts allocated to the above, then three quotations must be obtained by the representatives.

Accommodation will be paid directly by the Municipality.

Subsistence

If a representative travels on the business of the Municipality for:

- a day or part of the day then R140.00 allowance is payable.
- if sleeping over but accommodation is paid by the Municipality, R355.00 daily allowance is payable.
- If staying with a friend or relative, then R700.00 daily allowance is payable.

Travelling

- If the representative utilised his / her personal vehicle, s/he will be reimbursed at R3.15 per kilometre as prescribed by SARS.
- Candidates invited for interview will be reimbursed at R3.15 per kilometre if s/he has to travel more than 50 km to attend the interview.
- Tollgates/ e tolls will be reimbursed only if the proof of payment or receipt is produced.
- Shuttle cost will be reimbursed only if the proof of payment / receipt can be produced.

12.7. Inventory Management Policy

12.8. Asset Management Policy

Amendments made are as follows:

IDENTIFICATION OF ASSETS:

- * An asset identification system shall be operated and applied in conjunction with an asset register.
- * As far as practicable, every individual asset shall have a unique identification number but in terms of immovable assets the identification will be done through an accurate description of their physical location or by means of GPS coordinates.
- * The CFO shall develop and implement an asset identification system, while acting in consultation with the Executive Directors.

ASSET REGISTER:

- * If the current asset register is not completely aligned with the asset register presented in the policy, it will have to be amended within a year from the date of adoption of this policy.

RECOGNITION OF CAPITAL ASSETS: INITIAL MEASUREMENT:

- * All capital assets shall be correctly recognised as assets and capitalised at the correct value in its significant components.
- * The Council shall specify which kinds of leases the municipality may enter into. From the adoption of this policy all leased assets should be included in the main asset register or included under a sub-asset register and not as other assets. With the expiration of a lease assets under any lease will be automatically be removed from the asset register.
- * All capital assets shall be correctly recognised as assets and capitalised at the correct value in its significant components.
- * The Council shall specify which kinds of leases the municipality may enter into. From the adoption of this policy all leased assets should be included in the main asset register or included under a sub-asset register and not as other assets. With the expiration of a lease assets under any lease will be automatically be removed from the asset register.

PROPERTY, PLANT AND EQUIPMENT: LAND AND BUILDINGS (GRAP 17):

- * Subsequent to initial recognition, the Municipality chooses the cost model as the accounting policy for its Land and Buildings.
- * Land is not depreciated as it is deemed to have an indefinite useful life. Undefined land should be included as investment until such point where council decides to sell it or to use otherwise.
- * Where the cost of land and buildings cannot be determined, land and buildings will be measured at fair value.

PROPERTY, PLANT AND EQUIPMENT: INFRASTRUCTURE ASSETS (GRAP 17):

- * The improvement principles of the IIMM recommend starting with complete coverage of the infrastructure types at a low level of detail (e.g. level 2 or 3) and then improving the level of detail over a period of several years, starting with the high risk assets, such as pump stations, treatment works, etc.

12.9. Supply Chain Management Policy

Amendments made are as follows:

- (i) Demand management;
- (ii) Acquisition management;

(iii) Bidding management;

(vi) Contract management.

Range of procurement processes:

Goods and services may only be procured by way of :

(a) R0 – R100 -Pity Cash

(b) R101 – R2000 -One written quotation

(c) R2000 – R10 000 -Three written quotations

(d) R10 000 – R200000 -Formal written Price Quotation

- ▶ (R10 000 – R30 000 MBD 4, 8, 9 +SARS + BBBEE)
- ▶ (R30 000 – R200 000 MBD 4, 6.1, 8, 9 + SARS + BBBEE “Point system)

▶ ~~~~~

(e) R200 000 – Upwards -Competitive bidding process

Ethical standards:

- ▶ All committee members and SCM practitioners may be vetted by the National Intelligence Agency (N.I.A).

Inducements, rewards, gifts and favours to municipalities and other role players:

- ▶ (1) No person who is a provider or prospective provider of goods or services, or a recipient or prospective recipient of goods disposed or to be disposed of may either directly or through a representative or intermediary promise, offer or grant –
 - ▶ (a) Any inducement or reward to the municipality for or in connection with the award of a contract; or
 - ▶ (b) Any reward, gift, favour or hospitality to –
 - ▶ (i) Any official; or
 - ▶ (ii) Any other role player involved in the implementation of this Policy.
- ▶ (2) The accounting officer must promptly report any alleged contravention of subparagraph (1) to the National Treasury for considering whether the offending person, and any representative or intermediary through which such person is alleged to have acted, should be listed in the National Treasury’s database of persons prohibited from doing business with the public sector.
- ▶) Subparagraph (1) does not apply to gifts less than R350 in value.
- ▶ (4) All supply chain practitioners and bid committee members must disclose annually rewards, gifts and favours to the Accounting Officer or his delegate who will maintain a Gift Register.

Contracts providing for compensation based on turnover:

- ▶ If a service provider acts on behalf of a municipality to provide any service or act as a collector of fees, service charges or taxes and the compensation payable to the service provider is fixed as an agreed percentage of turnover for the service or the amount collected, the contract between the service provider and the municipality must stipulate –
 - (a) A cap on the compensation payable to the service provider; and

(b) That such compensation must be performance based.

Supply, Strip and repairs deviation:

- ▶ An annual roster will be compiled of accredited service providers for repairs and maintenance purposes and one quotation will be obtained per project on a rotational basis and for sole suppliers due to scarcity and distance of optional service providers.
- ▶ (a) To compile a roster, advertisements will be placed annually in the local Newspapers and the website inviting accredited service providers.
- ▶ (b) For strip and quote a detailed report stating the reasons for the referral must be submitted by the mechanic appointed by the municipality.

- ▶ Types of services recognized for deviation due to the reasons indicated on sub-paragraph (a) and (b).
- ▶ Repairs of Franking machine
- ▶ Repairs of Radio links
- ▶ Ink cartridge for the printing of licenses
- ▶ Mechanical work for specialised service
- ▶ Contracted service provider
- ▶ Licencing of renewal of vehicles licences
- ▶ Calibration of the traffic station
- ▶ STS cards for electricity vending

Fuel, Water chemicals and other scarce services/products:

The procurement of the abovementioned commodity will be done on a limited fixed term basis. The municipality will run an advert for regulated time frame and upon receipt of the respondent bidders the bids will be evaluated according to the set criteria and timeframe.

6.10 Irregular Expenditure Policy

6.11 Virement Policy

Amendments made are as follows:

- Virement limits on the amount of funds that may be moved to and from votes and sub-votes may not exceed ten (10%) per cent of the budget unless approved by Council and incorporated as part of the adjustment budget.

6.1 Alignment Grants per Budget with DoRA Allocations

Municipalities play a critical role in furthering government's objective of providing services to all while facilitating local economic development. Government has sought out to insulate local government from the full impact of the economic slow-down in national revenues with National transfers to local government.

The following Grants allocated to the municipality in terms of the 2015/2016 Division of Revenue Bill dated 7 February 2013 and Northern Cape been included in this medium term budget:

GRANT	2015/2016	2016/2017	2017/2018
Municipal System Improvement Grant	- 930 000	-957 000	-1 033 000
Municipal Infrastructure Grant	-25 487 000	-26 371 000	-27 697 000
Equitable Share	-77 299 000	-78 145 000	-78 493 000
Provincial Library Grant	-1 511 000	-1 537 000	-1 623 000
FBDM	-	-	-
Extended Public Works Programme Incentive	-1 170 000	-	-
Integrated National Electrification Programme (ESKOM GRANT)	-1 000 000	-1 000 000	-1 000 000
Pampierstad Internal Reticulation Refurbishment Grant - DWA	-25 000 000	-20 000 000	-15 000 000
Financial Management Grant (FMG)	-1 675 000	-1 810 000	-2 145 000

Grants From National & Provincial

-134 072 000 - 129 820 00 -126 991 000

7.1 Provision of Clean Water and Waste Water Management

7.1.1 Background

Service production is the core function of municipalities as a sphere of government. Amongst all Services, municipalities have to render water supply as well as removal of sewer. These two services are the most critical. Municipalities are also not only required to supply water, but clean drinkable water as well as discharging the treated effluents from the sewer network to the rivers. This will save both human life as well as the ecological systems in the river. Currently the Department of Water has placed measures in place to monitor the quality of the water as well as sanitations effluent.

7.1.2 Purpose

The purpose of the report is to inform council on the need to budget for the water quality as well as sanitation which is now called the blue drop and green drop compliance.

7.1.3 Compliance Issues

The requirement is that municipalities must start budgeting for the water quality which is called the **Blue Drop**. According to the latest information from the National Treasury municipalities will also be audited on compliance with the regard to blue drop and green drop requirements. The following are part of the compliance issues:

- ❖ Safety equipment to be provided on water and sewer plants;
- ❖ Water and Sanitation operators to have a certain level of skill i.e. Grade 12 ;
- ❖ Monthly water quality sampling monitoring programme to be implemented;
- ❖ All plants to have qualified process controllers in terms of DWAF classification;
- ❖ Accredited Services Providers to be appointed for sample analyses;
- ❖ Water safety plan to be compiled and approved by the council for funding and proof of management to commit for implementation;
- ❖ Drinking water quality response management;
- ❖ Publication of drinking water quality management; and
- ❖ Drinking water asset management

7.1.4. Current Status

The municipality is currently the Water Service Authority and Provider on areas like Jan Kempdorp and Hartswater with the exception of Pampierstad, where Sedibeng Water is the provider.

The municipality is still waiting for the results of the last assessment with regard to its **Blue Drop** and **Green Drop** status.

The water safety plan is not currently in place and there is need for it. Operations and Maintenance challenges are more related to improper operation due to lack of required skills and monitoring.

Recommendation

- That Council approve the draft to both Operating and Capital Budget for 2015/2016 as proposed in terms of the above report.
- That Council approves the budget through a majority vote.